Xian Yuen Titanium Resources Holdings Limited
(森源鈦礦控股有限公司*)

(Incorporated in the Cayman Islands with limited liability)
(Stock Code 353)

INTERIM REPORT
FOR THE SIX MONTHS ENDED 30 JUNE 2008

* *For identification purpose only*

The Board of Directors (the "**Board**") of Xian Yuen Titanium Resources Holdings Limited (the "**Company**") is pleased to announce the unaudited condensed results of the Company and its subsidiaries (collectively known as the "**Group**") for the six months ended 30 June 2008 (the "**Period**"). The unaudited condensed consolidated financial statements were not audited but have been reviewed by the Company's audit committee (the "**Audit Committee**").

CONDENSED CONSOLIDATED INCOME STATEMENT

For the period ended 30 June 2008

		Unaudited Six months ended 30 June	
		2008	2007 (restated)
	Notes	***HK$'000***	*HK$'000*
Continuing operations:			
Revenue	*4*	**—**	3,072
Cost of sales		**—**	(2,930)
Gross profit		**—**	142
Other income	*4*	**2,995**	215
Administrative expenses		**(23,782)**	(11,765)
Other operating expenses		**(28,035)**	(800)
Operating loss		**(48,822)**	(12,208)
Finance costs	*6*	**(7,412)**	(20)
Loss before income tax	*7*	**(56,234)**	(12,228)
Income tax expense	*8*	**—**	—
Loss after tax from continuing operations		**(56,234)**	(12,228)
Discontinued operations:			
Loss for the period from discontinued operations	*10*	**(16,098)**	(11,710)
Loss for the period		**(72,332)**	(23,938)
Attributable to:			
Equity holders of the Company		**(66,964)**	(23,938)
Minority interests		**(5,368)**	—
Loss for the period		**(72,332)**	(23,938)
Loss per share	*11*		
— Basic (HK cents)			
From continuing and discontinued operations		**(4.55)**	(3.78)
From continuing operations		**(3.46)**	(1.93)
— Diluted (HK cents)			
From continuing and discontinued operations		**N/A**	N/A
From continuing operations		**N/A**	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2008

	Notes	**Unaudited 30 June 2008 *HK$'000***	Audited 31 December 2007 *HK$'000*
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*12*	**13,363**	49,129
Prepaid lease payments		**8,730**	13,926
Goodwill		**611,485**	611,485
Available-for-sale financial assets	*13*	**5,871**	—
Exploration and evaluation assets		**32,113**	27,636
		671,562	702,176
Current assets			
Inventories		**6,211**	4,154
Trade receivables	*14*	**1,074**	17,219
Prepayments, deposits and other receivables		**45,174**	95,914
Cash at banks and in hand		**7,663**	50,725
		60,122	168,012
Assets classified as held for sale	*10(a)*	**19,300**	—
		79,422	168,012
Current liabilities			
Trade payables	*15*	**20,892**	19,704
Deposits received, other payables and accruals		**23,739**	43,022
Finance lease payables		**93**	91
Other borrowings	*16*	**5,650**	5,340
		50,374	68,157
Net current assets		**29,048**	99,855
Total assets less current liabilities		**700,610**	802,031
Non-current liabilities			
Finance lease payables		**91**	130
Amounts due to minority shareholders		**—**	37,602
Convertible bonds	*17*	**83,888**	139,671
		83,979	177,403
Net assets		**616,631**	624,628
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	*19*	**15,687**	13,587
Reserves		**573,662**	577,460
		589,349	591,047
Minority interests		**27,282**	33,581
Total equity		**616,631**	624,628

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the period ended 30 June 2008

	Unaudited										
	Attributable to equity holders of the Company									Minority interests	Total equity
	Share capital	Share premium	Capital reserve	Assets revaluation reserve	Exchange reserve	Convertible bond equity reserve	Share option reserve	Accumulated losses	Total		
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2007	5,519	100,046	137,610	9,726	2,933	—	5,910	(198,726)	63,018	(217)	62,801
Loss for the period	—	—	—	—	—	—	—	(23,938)	(23,938)	—	(23,938)
Total recognised income and expense for the period	—	—	—	—	—	—	—	(23,938)	(23,938)	—	(23,938)
Issue of shares	2,400	100,896	—	—	—	—	—	—	103,296	—	103,296
Exercise of share options and issue of shares	216	12,824	—	—	—	—	(4,559)	—	8,481	—	8,481
At 30 June 2007	8,135	213,766	137,610	9,726	2,933	—	1,351	(222,664)	150,857	(217)	150,640
At January 2008	13,587	560,420	137,610	—	10,024	147,261	—	(277,855)	591,047	33,581	624,628
Currency translation	—	—	—	—	8,925	—	—	—	8,925	—	8,925
Loss for the period	—	—	—	—	—	—	—	(66,964)	(66,964)	(5,368)	(72,332)
Total recognised income and expense for the period	—	—	—	—	8,925	—	—	(66,964)	(58,039)	(5,368)	(63,407)
Disposal of a subsidiary *(note 10(b))*	—	—	—	—	—	—	—	—	—	217	217
Deemed disposal of subsidiaries *(note 18)*	—	—	—	—	(6,848)	—	—	—	(6,848)	(1,148)	(7,996)
Issue of share on conversion of convertible bonds	2,100	126,478	—	—	—	(65,389)	—	—	63,189	—	63,189
At 30 June 2008	15,687	686,898	137,610	—	12,101	81,872	—	(344,819)	589,349	27,282	616,631

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
For the period ended 30 June 2008

	Unaudited	
	Six months ended 30 June	
	2008	2007
	HK$'000	*HK$'000*
Net cash outflow from operating activities	**(35,330)**	(9,461)
Net cash outflow from investing activities	**(9,377)**	(4,032)
Net cash (outflow)/inflow from financing activities	**(37)**	102,318
Net (decrease)/increase in cash and cash equivalents	**(44,744)**	88,825
Cash and cash equivalents at the beginning of the period	**50,725**	771
Effect on foreign exchange rate changes	**1,682**	—
Cash and cash equivalents at the end of the period	**7,663**	89,596

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
For the period ended 30 June 2008

1. GENERAL INFORMATION

Xian Yuen Titanium Resources Holdings Limited (the "**Company**") was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (Revised) of the Cayman Islands. Its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands, British West Indies and its principal place of business is Suites 5303-04, 53rd Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The principal activity of the Company is investment holding. The principal activities of its subsidiaries consisted of investment holding, exploration of mine and trading of goods. The Group has ceased and sold its carpet manufacturing and trading of business in the current period (note 10).

2. BASIS OF PREPARATION

These unaudited condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Hong Kong Accounting Standard "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). These unaudited condensed consolidated interim financial statements do not include all of the information required for full annual financial statements and thereby they should be read in conjunction with 2007 audited financial statements included in the Company's 2007 annual report.

The unaudited condensed consolidated interim financial statements have been reviewed by the Company's audit committee.

3. ACCOUNTING POLICIES

The interim financial statements have been prepared under historical cost convention.

The accounting policies used in preparing the interim financial statements are consistent with those followed in the Group's annual financial statements for the year ended 31 December 2007.

(a) Impact of new and revised HKFRSs which are effective in the current interim period

All the new and revised standards and interpretations of Hong Kong Financial Reporting Standards ("HKFRSs") which are effective for annual period beginning on 1 January 2008 and relevant to the Group have been adopted by the Group. These did not result in significant changes in the Group's accounting policies and had no significant impact on the current or the prior accounting periods.

(b) Impact of new and revised HKFRSs which are issued but not yet effective

The Group has not early adopted the following new and revised HKFRSs that have been issued but are not yet effective in the current period:

HKAS 1 (Revised)	Presentation of Financial Statements [1]
HKAS 23 (Revised)	Borrowing Costs [1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements [3]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations [1]
HKFRS 3 (Revised)	Business Combination [3]
HKFRS 8	Operating Segments [1]
Amendments to HKAS 1 (Revised)	Presentation of Financial Statements — Puttable financial instruments and obligations arising on liquidation [1]
Amendments to HKAS 32	Financial Instruments: Presentation — Puttable financial instruments and obligations arising on liquidation [1]
Amendments to HKAS 39	Financial Instruments: Recognition and Measurement — Puttable financial instruments and obligations arising on liquidation [1]
Amendments to HKFRS 7	Financial Instruments: Disclosures — Puttable financial instruments and obligations arising on liquidation [1]
HK(IFRIC) — Int 13	Customer Loyalty Programmes [2]
HK(IFRIC) — Int 15	Agreements for Construction of Real Estate [1]
HK(IFRIC) — Int 16	Hedges of a Net Investment on a Foreign Operation [4]
Amendments to HK(IFRIC) — Int 2	Members' Services in Co-operative Entities and Similar Instruments [1]

[1] Effective for annual periods beginning on or after 1 January 2009
[2] Effective for annual periods beginning on or after 1 July 2008
[3] Effective for annual periods beginning on or after 1 July 2009
[4] Effective for annual periods beginning on or after 1 October 2008

The Group is in the process of assessing the impact of these new and revised HKFRSs upon initial application. The Group anticipates that these new and revised HKFRSs are unlikely to have any material impact on the Group's financial statements except for HKAS 1 (Revised) which will affect the presentation of financial statements as disclosed in the 2007 annual report.

4. REVENUE AND OTHER INCOME

Revenue, which is also the Group's turnover, represents net invoiced value of goods sold after allowances for returns and trade discounts.

An analysis of the Group's revenue and other income is as follows:

	Continuing operations Unaudited Six months ended 30 June		Discontinued operations Unaudited Six months ended 30 June		Consolidated Unaudited Six months ended 30 June	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000* (restated)	***HK$'000***	*HK$'000* (restated)	***HK$'000***	*HK$'000* (restated)
Revenue						
Sale of goods	**—**	3,072	**17,924**	14,386	**17,924**	17,458
Other income						
Interest income from loan receivables	**2,825**	215	**4**	—	**2,829**	215
Rental income	**—**	—	**20**	821	**20**	821
Exchange gain	**—**	—	**511**	—	**511**	—
Sundry income	**170**	—	**11**	4	**181**	4
	2,995	215	**546**	825	**3,541**	1,040

5. SEGMENT INFORMATION

(a) Primary reporting format — business segments

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products they provide. Each of the Group's business segments represents a strategic business unit that offers products which are subject to risks and returns that are different from those of the other business segments. Summary of details of the business segments are as follows:

(i) the exploration of mine (Commercial operations has not yet been commenced during the period);

(ii) the trading of goods;

(iii) the manufacturing of carpets segment represents the manufacturing and sale of carpets; and

(iv) the trading of carpets segment represents the trading of carpets of other renowned brand names.

There was no intersegment sale and transfer during the Period (Six months ended 30 June 2007: Nil).

During the Period, the Board of Directors resolved to dispose of the manufacturing and trading of carpets *(note 10).*

	Continuing operations				Discontinued operations					
	Exploration of mine		Trading of goods		Manufacturing of carpets		Trading of carpets		Consolidated	
	Unaudited		Unaudited		Unaudited		Unaudited		Unaudited	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
		(restated)		(restated)		(restated)		(restated)		(restated)
Segment revenue:										
Sales to external customers	**—**	—	**—**	3,072	**4,044**	4,904	**13,880**	9,482	**17,924**	17,458
Segment results	**(5,173)**	—	**(10,992)**	(356)	**(22,172)**	(4,786)	**6,384**	(6,924)	**(31,953)**	(12,066)
Unallocated other operating income									**2,004**	215
Loss on deemed disposal of subsidiaries									**(17,233)**	—
Unallocated other expense									**(17,428)**	(12,067)
Finance costs									**(7,722)**	(20)
Loss before income tax									**(72,332)**	(23,938)
Income tax expense									**—**	—
Loss for the period									**(72,332)**	(23,938)

(b) Secondary reporting format — geographic segments

The following table presents revenue for the Group's geographical segments.

	Hong Kong		PRC		Overseas		Consolidated	
	Unaudited		Unaudited		Unaudited		Unaudited	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 Jun	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
		(restated)		(restated)		(restated)		(restated)
Continuing operations								
Segment revenue								
Sales to external customers	**—**	2,400	**—**	—	**—**	672	**—**	3,072
Discontinued operations								
Segment revenue								
Sales to external customers	**7,901**	6,463	**8,238**	5,704	**1,785**	2,219	**17,924**	14,386

6. FINANCE COSTS

	Continuing operations Unaudited Six months ended 30 June		Discontinued operations Unaudited Six months ended 30 June		Consolidated Unaudited Six months ended 30 June	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000* (restated)	***HK$'000***	*HK$'000* (restated)	***HK$'000***	*HK$'000* (restated)
Interest on other borrowing due within one year	**—**	—	**310**	—	**310**	—
Finance leases	**6**	20	**—**	—	**6**	20
Imputed interest on convertible bonds	**7,406**	—	**—**	—	**7,406**	—
	7,412	20	**310**	—	**7,722**	20

7. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging the following:

	Continuing operations Unaudited Six months ended 30 June		Discontinued operations Unaudited Six months ended 30 June		Consolidated Unaudited Six months ended 30 June	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000* (restated)	***HK$'000***	*HK$'000* (restated)	***HK$'000***	*HK$'000* (restated)
Charging:						
Cost of inventories recognised as expense	**—**	1,346	**15,181**	18,715	**15,181**	20,061
Depreciation	**1,481**	942	**1,067**	3,151	**2,548**	4,093
Impairment loss of goodwill	**—**	1,081	**—**	—	**—**	1,081
Amortisation of prepaid lease payments	**90**	—	**56**	57	**146**	57
Loss on deemed disposal of subsidiaries *(note 18)*	**17,233**	—	**—**	—	**17,233**	—
Provision for impairment loss of trade receivables	**10,802**	—	**—**	—	**10,802**	—
Staff cost, including directors' emoluments	**11,926**	5,335	**2,441**	3,013	**14,367**	8,348

8. INCOME TAX EXPENSE

No Hong Kong profits tax has been provided as the Group had no estimated profits arising in or derived from Hong Kong for both periods. PRC foreign enterprise income tax has not been provided as the PRC subsidiaries incurred a loss for taxation purposes for both periods.

9. DIVIDEND

The Board do not recommend the payment of any interim dividend for the six months ended 30 June 2008 (Six months ended 30 June 2007: Nil).

10. DISCONTINUED OPERATIONS

(a) On 16 January 2008, the Group entered into a non-binding Memorandum of Understanding (the "**MOU**") such that the entire issued share capital of a wholly owned subsidiary, namely Orient Carpet Manufacturing (HK) Limited ("**OCM**"), which has a direct wholly owned subsidiary, Hui Zhou Orient Carpet Manufacturing Company Limited ("**HZOCM**"), is to be sold to an independent third party for a consideration at HK$19,300,000 except for all current assets and all liabilities recorded in the books of OCM and HZOCM which shall remain with the Group as at 30 June 2008. Both OCM and HZOCM are principally engaged in manufacturing and sale of carpets.

The major classes of assets of OCM and HZOCM at 30 June 2008 which are classified as assets held for sale are as follows:

	Fair value *HK$'000*	Carrying amount upon being classified as held for sale *HK$'000*
Assets		
Property, plant and equipment	13,879	31,841
Prepaid lease payments	5,421	5,421
Assets classified as held for sale	**19,300**	

(b) On 10 March 2008, a Share Sale Agreement was entered into between the Group and another third party such that all 51% equity interest held by the Group in International Carpet Company Limited ("**ICC**") has been sold for a consideration of HK$200,000. ICC is principally engaged in trading of carpets of other renowned brand names.

	Unaudited **Six months ended** **30 June 2008** ***HK$'000***
Net liabilities disposed of:	
Property, plant and equipment	**30**
Prepayments, deposits and other receivables	**4,353**
Inventories	**131**
Trade receivables	**5,739**
Minority interests	**217**
Amount due from a minority shareholder	**1,366**
Cash and cash equivalents	**763**
Trade payables	**(2,516)**
Deposits received, other payables and accruals	**(14,836)**
	(4,753)
Gain on disposal of a subsidiary	**4,953**
Total consideration	**200**
Satisfied by:	
Cash	**200**

Analysis of the net outflow of cash and cash equivalents in respect of the disposal of a subsidiary:

	Unaudited Six months ended 30 June 2008 *HK$'000*
Cash consideration	**200**
Cash and bank balances disposed of	**(763)**
Net outflow of cash and cash equivalents in respect of disposal of a subsidiary	**(563)**

(c) An analysis of the results and cash flows of the discontinued operations included in the consolidated income statement and the consolidated cash flow statement is as follow:

	Unaudited Six months ended 30 June 2008				Unaudited Six months ended 30 June 2007			
	HZOCM	**OCM**	**ICC**	**Total**	HZOCM	OCM	ICC	Total
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	**4,044**	**—**	**13,880**	**17,924**	4,904	1,640	7,842	14,386
Cost of sales	**(6,570)**	**—**	**(10,907)**	**(17,477)**	(8,232)	(109)	(12,174)	(20,515)
Gross profit/(loss)	**(2,526)**	**—**	**2,973**	**447**	(3,328)	1,531	(4,332)	(6,129)
Other income	**11**	**4**	**531**	**546**	3	797	25	825
Selling and distribution expenses	**(173)**	**—**	**(695)**	**(868)**	(210)	—	(1,158)	(1,368)
Administrative expenses	**(1,522)**	**(527)**	**(1,682)**	**(3,731)**	(1,251)	(1,324)	(2,332)	(4,907)
Other operating expenses	**—**	**—**	**—**	**—**	—	—	(131)	(131)
Gain on disposal of a subsidiary	**—**	**827**	**—**	**827**	—	—	—	—
Operating (loss)/profit from discontinued operations	**(4,210)**	**304**	**1,127**	**(2,779)**	(4,786)	1,004	(7,928)	(11,710)
Finance costs	**—**	**(310)**	**—**	**(310)**	—	—	—	—
(Loss)/gain on remeasurement to fair value	**(17,962)**	**—**	**4,953**	**(13,009)**	—	—	—	—
Loss before income tax from discontinued operations	**(22,172)**	**(6)**	**6,080**	**(16,098)**	(4,786)	1,004	(7,928)	(11,710)
Income tax expense	**—**	**—**	**—**	**—**	—	—	—	—
Loss after income tax from discontinued operations	**(22,172)**	**(6)**	**6,080**	**(16,098)**	(4,786)	1,004	(7,928)	(11,710)
Operating cash flows	**249**	**844**	**53**	**1,146**	(123)	(201)	35	(289)
Investing cash flows	**—**	**4**	**(11)**	**(7)**	—	—	—	—
Financing cash flows	**—**	**—**	**—**	**—**	—	—	—	—
Total net cash inflow/(outflow) from discontinued operations	**249**	**848**	**42**	**1,139**	(123)	(201)	35	(289)

11. LOSS PER SHARE

The calculation of basic and diluted loss per share attributable to the equity holders of the Company is based on the following data:

From continuing operations and discontinued operations

	Unaudited Six months ended 30 June	
	2008	2007
	HK$'000	*HK$'000*
Loss		
Loss for the period attributable to the equity holders of the Company for the purpose of basic loss per share	**(66,964)**	(23,938)
Effect of dilutive potential ordinary shares:		
Interest on convertible bonds	**7,406**	—
Loss for the period attributable to the equity holders of the Company for the purpose of diluted loss per share	**(59,558)**	(23,938)

	Unaudited Six months ended 30 June	
	2008	2007
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**1,472,126**	634,057
Effect of dilutive potential ordinary shares:		
Share options issued by the Company	**—**	4,270
Convertible bonds	**262,333**	—
Weighted average number of ordinary shares for the purpose of diluted loss per share	**1,734,459**	638,327

From continuing operations

The calculation of basic and diluted loss per share from continuing operations attributable to the equity holders of the Company is based on the following data:

	Unaudited Six months ended 30 June 2008 *HK$'000*	2007 *HK$'000*
Loss for the period attributable to the equity holders of the Company for the purpose of basic loss per share	**(66,964)**	(23,938)
Loss for the period attributable to the equity holders of the Company from discontinued operations	**(16,098)**	(11,710)
Loss for the period attributable to the equity holders of the Company for the purpose of basic loss per share from continuing operations	**(50,866)**	(12,228)
Effect of dilutive potential ordinary shares:		
Interest on convertible bonds	**7,406**	—
Loss for the period attributable to the equity holders of the Company from continuing operations for the purpose of diluted loss per share	**(43,460)**	(12,228)

Basic loss per share attributable to the equity holders of the Company from continuing operations is HK 3.46 cents per share (Six months ended 30 June 2007: loss of HK1.93 cents per share), based on the loss for the Period attributable to the equity holders of the Company from continuing operations of approximately HK$50.9 million (Six months ended 30 June 2007: loss of approximately HK$12.2 million) and the denominators detailed above.

From discontinued operations

Basic loss per share attributable to the equity holders of the Company from discontinued operations is HK 1.09 cents per share (Six months ended 30 June 2007: loss of HK1.85 cents per share), based on the loss for the period attributable to the equity holders of the Company from discontinued operations of approximately HK$16.1 million (Six months ended 30 June 2007: loss of approximately HK$11.7 million) and the denominators detailed above.

No diluted loss per share attributable to the equity holders of the Company from continuing and discontinued operations is presented for the period ended 30 June 2008 as the outstanding convertible bonds were anti-dilutive. No diluted loss per share attributable to the equity holders of the Company from continuing and discontinued operations was presented for the period ended 30 June 2007 as outstanding share options were anti-dilutive.

12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2008,

(a) the Group incurred capital expenditure in furniture, fixture, equipment and leasehold improvements of approximately HK$279,000 (Six months ended 30 June 2007: approximately HK$3,020,000).

(b) Pursuant to the transaction as stated in note 10(a), certain property, plant and equipment of carry value amounting approximately HK$31,841,000 has been accounted for assets held for sale.

13. AVAILABLE-FOR-SALE FINANCIAL ASSETS

These are unlisted equity securities state at cost.

14. TRADE RECEIVABLES

The Group normally allows credit terms ranging from 30 to 120 days to established customers. An ageing analysis of the trade receivables, net of provision, as at the balance sheet date, based on the date of recognition of the sale, is as follows:

	Unaudited 30 June 2008 *HK$'000*	Audited 31 December 2007 *HK$'000*
1-90 days	**595**	7,871
91-120 days	**51**	5,899
121-365 days	**11,744**	3,449
Over 1 year	**343**	2,677
	12,733	19,896
Less: Provision for impairment of trade receivables	**(11,659)**	(2,677)
Trade receivables — net	**1,074**	17,219

15. TRADE PAYABLES

An ageing analysis of the trade payables as at the balance sheet date, based on the receipt of goods purchased, is as follows:

	Unaudited **30 June 2008** ***HK$'000***	Audited 31 December 2007 *HK$'000*
1-90 days	**786**	9,017
91-120 days	**618**	5,696
121-365 days	**11,694**	2,306
Over 1 year	**7,794**	2,685
	20,892	19,704

16. OTHER BORROWINGS

	Unaudited **30 June 2008** ***HK$'000***	Audited 31 December 2007 *HK$'000*
Other loans unsecured and repayable on demand	**5,650**	5,340

The Group's other loans bear interest at the fixed rate of 12% per annum and is payable with one-month notice by the lender.

17. CONVERTIBLE BONDS

On 5 November 2007, the Company issued zero coupon convertible bonds Tranche 1 ("**CB 1**") in the principal amount of HK$365,000,000 as part of the consideration for the acquisition of Kanson Development Limited ("**Kanson**"). CB 1 bear no interest with maturity date on 4 November 2012 (the "**Maturity Date**") and are convertible into shares of the Company at the conversion price of HK$0.60 per share (subject to the standard adjustment clauses relating to share sub-division, share consolidation, capitalization issues and rights issues) at any time after the issue date. At Maturity Date, the Company may consider liaising with the holders of CB 1 to extend the Maturity Date of CB 1 or the Company may repay CB 1 at any price as to be agreed between the Company and the holders of CB 1.

The fair value of the liability component, included in CB 1, was calculated using a market interest rate for an equivalent non-convertible bond. The residual amount, representing the value of the equity conversion component, is included in the convertible bond equity reserve in shareholders' equity.

The CB 1 recognised in the balance sheet are calculated as follows:

	Unaudited 30 June 2008 *HK$'000*	Audited 31 December 2007 *HK$'000*
Proceeds of issue	**365,467**	365,467
Equity component	**(189,421)**	(189,421)
Liability component on initial recognition	**176,046**	176,046
Exercise of CB 1	**(102,629)**	(39,440)
Total imputed interest expense	**10,471**	3,065
Liability component at the end of the period/year	**83,888**	139,671

The fair value of the liability component of CB 1 at the date of issue amounted to approximately HK$176 million.

Interest expense on the bonds is calculated using the effective interest rate method by applying interest rate of 15.70% per annum to the liability component.

During the period ended 30 June 2008, 210,000,000 ordinary shares were issued in aggregate, at the conversion price of HK$0.60 per share, to the bond holders upon the conversion of CB 1. As a result, there was an increase in the share capital and share premium of HK$2,100,000 and HK$126,478,000 respectively.

According to the sale and purchase agreement dated 8 July 2007 with the Group and Ms. Leung Lai Ching Margaret to acquire 51% equity interest in Kanson, another zero-coupon convertible bonds Tranche 2 ("**CB 2**") with face value of HK$400,000,000 will be issued on fifth business day following the date of receipt of mining lincense in respect of the underlying mine. CB 2 bear no interest with maturity date and are convertible into shares of the Company at the conversion price of HK$0.60 per share (subject to the standard adjustment clauses relating to share sub-division, share consolidation, capitalization issues and rights issues) at any time after the issue date.

As at 30 June 2008, Kanson and its subsidiaries were still in the progress of obtaining the mining license. Thus CB 2 have not been issued and not included in the condensed consolidated financial statements. Details of this transaction are set out in the Company's circular dated 15 October 2007.

18. DEEMED DISPOSAL OF SUBSIDIARIES

On 10 March 2008, the Company and certain of its subsidiaries and Capital Gain Assets Management Limited ("**Capital Gain**") entered into a subscription agreement. In consideration of assumption by Capital Gain of the obligation of the Group to contribute approximately US$4,070,000 (equivalent to approximately HK$31,746,000) to the registered capital of Hebei Da Sheng Warranty Company Limited ("**Da Sheng**"), the Group agreed to allot and issue 804 ordinary shares of Aurora Logistic Finance Group Inc, a subsidiary of the Company, of US$1.00 each to Capital Gain. As a result, the Company's interest in Aurora Logistic Finance Group Inc. has been diluted from 100% to 19.6%.

	Unaudited Six months ended 30 June 2008 ***HK$'000***
Net assets disposed of:	
Property, plant and equipment	**4,056**
Prepayments, deposits and other receivables	**59,350**
Cash and bank balances	**9,220**
Minority interests	**(1,148)**
Amounts due to minority shareholders	**(40,807)**
Other payables	**(719)**
	29,952
Release of exchange reserve upon disposal	**(6,848)**
Loss on deemed disposal of subsidiaries	**(17,233)**
Satisfied by:	
Transfer to available-for-sale financial assets, at cost	**5,871**

Analysis of the net outflow of cash and cash equivalents in respect of the deemed disposal of subsidiaries:

	Unaudited Six months ended 30 June 2008 ***HK$'000***
Cash and cash equivalents disposed of	**(9,220)**
Net outflow of cash and cash equivalents in respect of deemed disposal of subsidiaries	**(9,220)**

19. SHARE CAPITAL

		Unaudited		Audited	
		30 June 2008		31 December 2007	
	Notes	**Number of *shares* *'000***	***HK$'000***	Number of *shares* *'000*	*HK$'000*
Authorised:					
Ordinary shares of HK$0.01 each		**20,000,000**	**200,000**	20,000,000	200,000
Issued and fully paid:					
At 1 January, ordinary shares of HK$0.01 each		**1,358,720**	**13,587**	551,900	5,519
Shares issued on 16 February 2007	*(a)*	**—**	**—**	18,000	180
Shares issued on 16 March 2007	*(b)*	**—**	**—**	87,000	870
Shares issued on 25 June 2007	*(c)*	**—**	**—**	135,000	1,350
Shares issued on 2 August 2007	*(d)*	**—**	**—**	135,000	1,350
Share issued on 5 November 2007	*(e)*	**—**	**—**	270,000	2,700
Exercise of convertible bonds and issue of shares	*(f)*	**210,000**	**2,100**	136,000	1,360
Exercise of share options and issue of shares	*(g)*	**—**	**—**	25,820	258
At the end of period/year of ordinary shares of HK$0.01 each		**1,568,720**	**15,687**	1,358,720	13,587

Notes:

(a) On 16 February 2007, an aggregate of 18,000,000 new ordinary shares were issued to Ms. Sheng De Cruz Li to complete the consideration balance of the sale and purchase agreement to acquire 70% equity interest in Win Alliance Development Limited dated 8 December 2006. The directors of the Company considered HK$0.40 per share is the fair value with reference to the published price of the share on that day. These issued shares rank pari passu with other shares in issue in all respects.

(b) On 5 March 2007, the Company entered into a placement agreement with Enlighten Securities Limited ("Enlighten Seurities") as placing agent, pursuant to which an aggregate of 87,000,000 new ordinary shares were placed by Enlighten Securities on behalf of the Company, on a fully underwritten basis at the price of HK$0.308 per placing share with six independent investors. Immediately after the completion of this placing, the Company issued 87,000,000 new ordinary shares at HK$0.308 per share to six independent investors on 16 March 2007. These issued new ordinary shares rank pari passu with other shares in issue in all respects.

(c) On 11 June 2007, the Company entered into anther placement agreement with Enlighten Securities as placing agent, pursuant to which an aggregate of 135,000,000 new ordinary shares were placed by Enlighten Securities on behalf of the Company, on a fully underwritten basis at the price of HK$0.50 per placing share with six independent investors. Immediately after the completion of this placing, the Company issued 135,000,000 new ordinary shares at HK$0.50 per share to six independent investors on 25 June 2007. These issued new ordinary shares rank pari passu with other shares in issue in all respects.

(d) On 20 July 2007, the Company entered into a placing agreement with Guotai Junan Securities (Hong Kong) Limited ("Guotai Junan") as placing agent, pursuant to which an aggregate of 135,000,000 new ordinary shares were placed by Guotai Junan on behalf of the Company, on a fully underwritten basis at a price of HK$0.69 per placing share with at least six independent investors. Immediately after the completion of this placing, the Company issued 135,000,000 new ordinary shares at HK$0.69 per share on 2 August 2007. These issued new ordinary shares rank pari passu with other shares in issue in all respects.

(e) On 5 November 2007, the Company issued 270,000,000 new ordinary shares to Ms. Leung Lai Ching Margaret to complete the balance of the conditional share acquisition agreement dated 8 July 2007 to acquire 51% equity interest in Kanson. The directors of the Company considered HK$0.65 per share is the fair value with reference to the published price of the share on that day. These issued new ordinary shares rank pari passu with other shares in issue in all respects.

(f) On 5 November 2007, the Company issued CB 1 of HK$375,000,000 at the conversion price of HK$0.60 per share. During the year ended 31 December 2007, 136,000,000 new ordinary shares in aggregate were issued, at the conversion price of HK$0.60 per share, to the bond holders upon the conversion of the CB 1. As a result, there was an increase in the share capital and share premium of HK$1,360,000 and HK$80,240,000 respectively. These issued new ordinary shares rank pari passu with other shares in issue in all respects.

During the period ended 30 June 2008, 210,000,000 new ordinary shares in aggregate were issued, at the conversion price of HK$0.60 per share, to the bond holders upon the conversion of the CB 1. As a result, there was an increase in the share capital and share premium of HK$2,100,000 and HK$126,478,000 respectively. These issued new ordinary shares rank pari passu with other shares in issue in all respects.

(g) During the year ended 31 December 2007, subscription rights attached to the 25,820,000 share options of the Company were exercised at subscription prices of HK$0.365, HK$0.35 and HK$0.54 per share. As a result, the Company allotted, issued and fully paid 25,820,000 new ordinary shares of HK$0.01 each. These issued new ordinary shares rank pari passu with other shares in issue in all respects. A share premium of HK$10,528,000 was arose from the issue and allotment of shares. In addition an amount of approximately HK$5,910,000 was transferred from share option reserve to share premium.

20. OPERATING LEASE COMMITMENTS

At 30 June 2008, the Group had total future minimum lease payments under non-cancellable operating lease falling due as follows:

	Unaudited 30 June 2008 *HK$'000*	Audited 31 December 2007 *HK$'000*
Within one year	**5,419**	6,199
In the second to fifth years, inclusive	**3,575**	5,759
	8,994	11,958

The Group leases certain leasehold land and buildings under operating leases. The leases run for an initial period of two to three years, with an option to renew the lease and renegotiate the terms at expiry date or at dates as mutually agreed between the Group and respective landlords/lessors. None of the leases include contingent rentals.

The Company did not have any significant lease commitments at 30 June 2008.

21. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the unaudited condensed consolidated interim financial statements, the Group had the following material transactions with related parties during the period:

Compensation of key management personnel

	Unaudited	
	Six months ended 30 June	
	2008	2007
	HK$'000	*HK$'000*
Total remuneration of directors and other members of key management during the period	**3,919**	4,459

22. COMMITMENTS

As at 30 June 2008, the Group had the following outstanding capital commitments:

The Group entered into agreements with various parties in relation to exploration and evaluation expenditures to be capitalised. As at 30 June 2008, the total contracted amount was HK$6,545,000 (31 December 2007: HK$5,110,000).

23. POST BALANCE SHEET EVENTS

Save as disclosed elsewhere in the unaudited condensed consolidated interim financial statements, the Group had the following post balance sheet event:

On 8 April 2008, the Group served a call option notice to Ms. Leung Lai Ching, Margaret to acquire 49% of the entire issued share capital of Kanson Development Limited ("**Kanson**") from Ms. Leung Lai Ching, Margaret at the consideration totalling HK$960.78 million by the issue of the Convertible bonds by the Company.

On 3 July 2008, the transaction was completed and Kanson has became an indirectly wholly-owned subsidiary of the Company and the Company issued zero coupon convertible bonds Tranche 3 ("**CB 3**") in the principal amount of HK$580,000,000 as part of the consideration for acquisition. CB 3 bear no interest with maturity date on 2 July 2013 and are convertible into shares of the Company at conversion price of HK$0.25 per share (Please also referred the Company's announcement dated 18 April 2008, 24 June 2008 and circular dated 6 June 2008 for further details).

24. LITIGATION

On 24 June 2008, DBS Bank (Hong Kong) Limited brought an action in the High Court under HCA1154 of 2008 against a non wholly-owned subsidiary of the Company, Win Alliance Development Limited ("**Win Alliance**"), claiming outstanding bills of exchange in the sum of US$622,182 (equivalent to HK$4,853,000) and accrued interest. Win Alliance is taking legal advice to the merits of the proceedings. The Directors of the Company has made full amount of provision in respect of this claim.

25. COMPARATIVE FIGURES

Certain comparative figures have been represented as a result of the reclassification of the discontinued operations.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

For the six months period ended 30 June 2008, the Group had not recorded any revenue from its continuing operations (2007: HK$3 million) and net loss from its continuing operations were approximately HK$56 million (2007: HK$12 million). The operating loss of the Group from its continuing operations was substantially increased by approximately HK$36.6 million as compared to the corresponding period of last year which include the loss of HK$17.2 million on deemed disposal of Aurora Logistic Finance Group Inc and Hebei Da Sheng Warranty Company Limited and impairment loss of HK$10.8 million in trade receivable in trading of goods business.

CARPET MANUFACTURING AND DISTRIBUTION

For the six months period ended 30 June 2008, the revenue in manufacturing of carpets segment was HK$4 million, compared with approximately HK$4.9 million for the same period last year, a decrease of about 18% and the loss of the segment is HK$22.1 million as compared with HK$4.7 million for the same period last year which include the loss of HK$18 million of the remeasurement to fair value of assets held for sale.

During the Period, there was a rise in raw materials and manufacturing costs of consumer products and an intense market competition on global consumer products market. As a result, the Group still recorded a net loss of its business due to the intensive competition of the carpet industry. Furthermore, the Directors noted that the carpet manufacturing and trading business had been suffering loss for the past two years.

On 16 January 2008, the Group entered into a non-binding Memorandum of Understanding such that the entire issued share capital of a wholly-owned subsidiary, namely Orient Carpet Manufacturing (HK) Limited ("**OCM**") (which has a direct wholly-owned subsidiary, Hui Zhou Orient Carpet Manufacturing Company Limited ("**HZOCM**")), is to be sold to an independent third party for a consideration at HK$19,300,000. Please refer to the note 10 of Notes to the financial statements in this report and the Company's announcement dated 16 January 2008. As at the date of this report, the final terms and conditions of a sale and purchase agreement is currently being negotiated between the Company and the independent third party. Further announcement(s) will be made in respect thereof as and when required by the Listing Rules.

On 10 March 2008, the Group entered into a share sale agreement with an independent third party to dispose of its entire 51% interest in International Carpet Company Limited ("**ICC**") for a total consideration of HK$200,000. The disposal was completed on 30 May 2008 and it constitutes the discontinued operation of the Group for the six months ended 30 June 2008. Details of this transaction were set out in the Company's circular dated 21 April 2008.

In view of the above, the Directors decided that the disposals of OCM, HZOCM and ICC would provide the Group an opportunity to realise its investments in the business of mining.

LOGISTICS AND FINANCIAL BUSINESS

In May 2008, the Group disposed 80.4% interest of Hebei Da Sheng Warranty Company Limited ("**Da Sheng**") to Capital Gain Assets Management Limited ("**Capital Gain**") in consideration of assumption by Capital Gain of the obligation of the Group to contribute approximately US$4,070,000 (equivalent to approximately HK$31,746,000) to the registered capital of Da Sheng and 804 ordinary shares of Aurora Logistic Finance Group Inc. of US$1.00 each were allotted and issued to Capital Gain on 30 May 2008. Upon the completion, Aurora Logistic Finance Group Inc. and its subsidiaries including Da Sheng are owned as to 19.6% by the Group and 80.4% by Capital Gain. The Directors considered that the disposal of partial interest in Da Sheng would allow relocation of resources to enhance the efficiency in pursuing potential projects in the mining sector. The Group continues to maintain an interest in Da Sheng as the Directors hold an optimistic view in the logistics and financial business and intend to capture the benefit from the future stimulation of the industry. Details of this transaction were set out in the Company's circular dated 21 April 2008.

XIAO HONG SHAN (LITTLE RED MOUNTAIN) MINERAL PROPERTY

In July 2008, the Group acquired an additional 49% equity interests of Kanson Development Limited ("**Kanson**") from Ms. Leung Lai Ching, Margaret through Smooth Way International Limited, a wholly-owned subsidiary of the Company. After the completion, Kanson is currently a wholly-owned subsidiary of the Company which indirectly holds an exploration license of a mineral property in 2km by 1km rectangular area of Little Red Mountain located in Inner Mongolia ("**Xiao Hong Shan Project**").

Current Status of Xiao Hong Shan Project

All key and supplementary metallurgical tests have been completed by the Changsha Research Institute of Mining and Metallurgy and the Changsha China South University. Due to the scheduling for the supplementary testing for enhancing the design for the production line as required by the design institute, the schedule for applying the mining license has been revised. The documents required for the registration of the mineral resources in the 0.7 sq. km area are ready for submission to the Ministry of Land and Resource in the third quarter of this year. At the same time, the project feasibility study required for the application of the mining license is underway.

Meetings were held with the government of Ejinaqi, Inner Mongolia, at which the government confirmed their strong support for the project and the provision of power to the Xiao Hong Shan mine site. The Yumen government also pledged their strong support for the project with the provision of power, water and land to the processing plants. An agreement has been signed with the Shule River Valley Administration Office of the Jiuquan region (includes Yumen) for the supply of water to the entire project. In preparation for the application of the mining license for the Xiao Hong Shan mineral property, a wholly-foreign-owned enterprise in Ejinaqi, Inner Mongolia, being an indirect wholly-owned subsidiary of Kanson, has been established.

PROSPECT

The Board were optimistic about its mining business in the PRC given the increasing prices and global demands for iron and titanium products. We will dedicate more resources to the exploration and development of the Xiao Hong Shan Project and continue to prepare the required documents for the application of the mining license. Upon registration of the mineral resources with the Ministry of Land and Resources, and completion of the project feasibility study, application will be made to delineate the mining area, to be followed by application of the mining license.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2008, the net assets value of the Group is approximately HK$616.6 million (31 December 2007: approximately HK$624.6 million) and the total cash and bank balance is approximately HK$7.6 million (31 December 2007: approximately HK$50.7 million). As at 30 June 2008, the Group had total current assets of HK$79 million (31 December 2007: HK$168 million), and total current liabilities of HK$50 million (31 December 2007: HK$68 million).

CURRENT AND GEARING RATIO

As at 30 June 2008, the Group had total assets of approximately HK$751 million (31 December 2007: HK$870.1 million), total liabilities of HK$134 million (31 December 2007: HK$246 million), indicating a gearing ratio of 0.18 (31 December 2007: 0.28) on the basis of total liabilities over total assets. The current ratio of the Group for the Period was 1.58 (31 December 2007: 2.47).

NUMBER AND REMUNERATION OF EMPLOYEES

The Group total number of employees was approximately 64 employees (2007: 191) in Hong Kong and PRC for the period ended 30 June 2008. The Group recognized the importance of maintaining good working relationships with its employees and accordingly, strives to maintain remunerations at competitive levels and in line with industry practice.

The Company adopted a share option scheme (the “Share Option Scheme”) pursuant to an ordinary resolution passed by the shareholders of the Company on 6 June 2002. The purpose of the Share Option Scheme is to provide incentives or rewards to participants for their contributions to the Group and to enable the Group to recruit and retain high-caliber employees and attract human resources that are valuable to the Group.

INTERIM DIVIDEND

The Board do not recommend the payment of an interim dividend for the six months ended 30 June 2008. (30 June 2007: Nil)

FOREIGN CURRENCY EXPOSURE

The Group did not have any significant exposure to and did not hedge against risks associated with foreign currency fluctuation.

CONTINGENT LIABILITIES

As at 30 June 2008, the Group did not have any significant contingent liabilities.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN THE SECURITIES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2008, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**")) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("**Model Code**") were as follows:

Long Positions in Ordinary Shares of the Company

Name of Directors	Nature of interests	Number of shares held	Approximate percentage of shareholding
Mr. Law Fei Shing *(Note)*	Personal	15,450,000	0.98%
Mr. So Chi Keung	Personal	2,000,000	0.13%

Note:

Mr. Law Fei Shing entered into an agreement with Ms. Leung Lai Ching Margaret on 5 November 2007 pursuant to which Ms. Leung Lai Ching Margaret agreed to transfer to Mr. Law Fei Shing an aggregate of 15,450,000 shares as the consideration for Mr. Law Fei Shing entering into a service contract with the Company. The above shares will be transferred to Mr. Law Fei Shing on 5 November 2008, 5 November 2009 and 5 November 2010. For details, please refer to the Company's announcement dated 5 November 2007.

Save as disclosed above, as at 30 June 2008, none of the directors and chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code; and none of the directors or the spouses, or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the Period.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

The register maintained by the Company pursuant to section 336 of the SFO recorded that, as at 30 June 2008, the following corporation and persons had interests (as defined in the SFO) in the Company set opposite its respective name:

Name	Number of shareholding	Approximate percentage of shares held
Ms. Leung Lai Ching, Margaret *(Note 1)*	780,400,000	49.75%
L & L Holdings Limited *(Note 2)*	120,000,000	7.65%
Mr. Tsao Ke Wen, Calvin *(Note 2)*	120,000,000	7.65%

Notes:

1. Ms. Leung Lai Ching, Margaret ("Ms. Leung") held 24,400,000 shares and convertible bonds in respect of 756,000,000 underlying shares. 756,000,000 underlying shares consist of shares to be issued upon the conversion of the outstanding Tranche 1 Bonds (which, based on the conversion price of HK$0.60 per share, can be converted into 89,333,333 shares) and the Tranche 2 Bonds (which, based on the conversion price of HK$0.60 per share, can be converted into 666,666,667 shares) held by Ms Leung. The Tranche 2 Bonds have not been issued.

2. L & L Holdings Limited is an investment holding company incorporated in the Republic of the Marshall Islands, the entire issued share capital of which is wholly and beneficially owned by Mr. Tsao Ke Wen Calvin who was resigned as director of the Company on 17 October 2007.

All the interests stated above represent long positions in the ordinary shares of the Company. As at 30 June 2008, no short positions were recorded in the register maintained by the Company under section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the Period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the Period.

REMUNERATION COMMITTEE

The Remuneration Committee, established in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules, comprises the three independent non-executive directors of the Company and the Chairman of the Company, is responsible for reviewing and evaluating the remuneration packages of the executive directors and senior management of the Company and making recommendations to the board of directors from time to time.

NOMINATION COMMITTEE

The Nomination Committee, established in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules, comprises the three independent non-executive directors of the Company and the Chairman of the Company, is responsible for making recommendations to the Board on the appointment of Directors and management of the Board succession.

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed with management the accounting principles and practices adopted by the Group, and discussed internal controls and financial reporting matters including a review of the unaudited interim accounts for the six months ended 30 June 2008. The Audit Committee comprises the three independent non-executive directors of the Company.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining and ensuring high standards of corporate governance practices. Throughout the six months ended 30 June 2008, the Company has complied with all the applicable code provisions in the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules.

COMPLIANCE WITH MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors by Listed Issuers (the "**Model Code**") set out in Appendix 10 of the Listing Rules. Upon enquiry by the Company, all directors have confirmed that they have complied with the required standards set out in the Model Code throughout the six months ended 30 June 2008.

APPRECIATION

I take this opportunity to express our gratitude to the Shareholders of the Company for their continued support and our Directors and our staff for their contribution to the Company.

DIRECTORS

As at the date of this report, the Executive Directors are Mr. Tam Owen (Chairman), Dr. Yuen Clement Ming Kai (Vice-Chairman), Mr. Law Fei Shing (Chief Executive Officer), Mr. So Chi Keung, Mr. Fok Po Tin, Mr. Leung Kai Hung, Mr. Yeung Delon and Mr. Sun Tak Yan Desmond; the Non-Executive Director is Mr. Lam Shing Tsun Edmond and the Independent Non-Executive Directors are Mr. Lum Pak Sum, Mr. Wan Hon Keung and Mr. Sun Tak Keung.

By Order of the Board
Law Fei Shing
Chief Executive Officer and Executive Director

Hong Kong, 30 September 2008